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RUEHFR/AMEMBASSY PARIS 0384  
RUEHKO/AMEMBASSY TOKYO 0315  
RUEHCG/AMCONSUL CHENNAI 0154  
RUEHKP/AMCONSUL KARACHI 0203  
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RUEKJCS/JOINT STAFF WASHDC  
RUEKJCS/SECDEF WASHINGTON DC  
RHEBAAA/DEPT OF ENERGY WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000774

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SUBJECT: TURKMENISTAN ENERGY: BP IN THE MIX, EXPRESSES  
DISCOMFORT WITH TNK/BP

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Classified By: Charge d'Affaires a.i. Ambassador Richard E. Hoagland for reasons 1.4 (B) and (D).

¶1. (C) SUMMARY: BP officials are serious about entering the hydrocarbon sector in Turkmenistan, focusing on oil. In two meetings, they left a mixed message about the potential role of TNK/BP. The BP advance team indicated three possibilities: BP alone, TNK/BP alone, or the two together in some configuration. The more senior BP officials were candid about BP's discomfort with TNK/BP, and indicated an understanding of the role and optics of geopolitics. END SUMMARY.

¶2. (SBU) Charge met August 2 with President of BP Central Asia Jonathan Popper, BP Manager of Business Development Central Asia Andy Waters, and Head of BP Representative Office in Turkmenistan Serdar Atabayev. Popper and a larger BP team have been in Turkmenistan for at least a week "trying to decide what's doable," he said. Although he generally played his cards very close to his vest, Popper said BP is interested primarily in oil "but you have to deal with the gas associated with oil."

¶3. (C) In response to a question about possible export routes, Popper replied, "Export's what it's all about." The best option is south through Iran, "but that's off the agenda for now." He said the only route currently available is

through Russia, and BP's inclination would be to use existing infrastructure to start and then upgrade it as necessary. "However," he added, "politics clearly plays a role."

#### BP AND TNK/BP

14. (C) Charge asked how TNK/BP fits into BP as a whole, noting recent press reports that TNK/BP is opening an office in Ashgabat. Popper said firmly, "The office is both TNK/BP and BP." He explained TNK/BP is a separate company, but ultimately under the BP corporate umbrella. TNK/BP is a 50%-50% partnership (the Russian side is three oligarchs), which means BP has "negative control -- we can stop things, but we can't make them happen." TNK/BP came to Turkmenistan early because a directive from the Kremlin ordered Russian energy concerns to "lock up" Turkmenistan. Popper noted it's especially important for TNK/BP to be seen promoting Russian policy (COMMENT: Presumably because of the shaky position of Western energy partners in Russia. END COMMENT).

15. (SBU) Popper added TNK/BP will likely focus on mature fields on-shore, managing reserves rather than attempting new exploration. BP itself will focus off-shore, although BP is unlikely to promote a Trans-Caspian Pipeline: "There's not enough (off-shore) gas here yet."

16. (C) With surprising candor, Popper said he doubts TNK/BP has the long-term intent and capability to do anything serious in Turkmenistan. He added, "We (BP) are not at all comfortable with TNK/BP. They won't do anything here unless we agree -- negative control."

#### GOSSIP ABOUT OTHER MAJORS

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17. (SBU) In passing, Popper commented that LukOil is beginning to back away from its initial enthusiasm because Russian geologists looked more closely at off-shore possibilities and "didn't see too much." Noting that Shell is in town, he predicted that Shell is about to make a "big proposal" based on their knowledge and experience from ten years ago. He added that Shell is now "looking on-shore." (NOTE: See para 10 below for text of press report on the Shell visit. END NOTE.)

#### THE ADVANCE TEAM LEAVES MORE DOORS OPEN

18. (SBU) On July 28, A/DCM met with BP representatives in from London to advance Popper's visit. They seemed primarily interested in identifying major political risks of operating in Turkmenistan, and appeared particularly concerned about the legitimacy/stability of President Berdimuhamedov, and the potential for the leadership to become a dictatorship again. A/DCM also discussed with them the lack of human capacity (including in the government), the opaque legal and regulatory framework, corruption, the underdeveloped infrastructure, and the high unemployment rate.

19. (C) The BP advance team's take on BP intentions was somewhat different from what Popper said. The team told A/DCM BP is interested in extracting oil in Turkmenistan, and is trying to find the proper vehicle for penetrating Turkmenistan's market. They said the options include BP, TNK/BP, or a joint operation between BP and TNK/BP. Among other things, the advance team probed whether U.S. energy policy is directed toward decreasing the influence of Russia and Iran in Turkmenistan. BP also asked whether a Russian oil company has advantages over other international oil companies in doing business in Turkmenistan. They expressed strong skepticism about the possibility of a Trans-Caspian Pipeline.

110. (U) BEGIN TEXT: Global Insight Daily Analysis, August 2: The Anglo-Dutch oil and gas major Shell is considering plans to carry out joint exploration and production projects

with Austria's OMV and the Abu-Dhabi-based International Petroleum Investment Co. (IPIC) in Turkmenistan. Reuters reports that the UAE state news agency, WAM, said that the three companies are planning to build a \$500-million urea plant in Turkmenistan and will jointly explore for gas reserves to feed the plant. Significance: Shell has a growing presence in the Central Asia region. By partnering with each other and OMV, the companies will be able to enhance their presence in the region and use existing business interests as leverage, easing the path into Turkmenistan. With IPIC involved on the downstream side, but eager to move upstream, partnering with Shell would help that transition, while providing Shell with a ready buyer for any gas discovered in the country. END TEXT.  
HOAGLAND